MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BAC 2634 – FINANCIAL ACCOUNTING AND REPORTING II

(All sections / Groups)

4 OCTOBER 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENTS:

1. This paper consists of SEVEN (7) pages excluding the cover page with **4** Questions only.
2. Answer **ALL** questions.
3. All questions carry equal marks and the distribution of marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

LWZ Berhad is involved in supplying photocopy machines throughout the northern region of Malaysia, which are *Sharp MX-471* and *Fuji TX-531*. The following are the details of inventories for the year ending 31 December 2022.

	Sharp MX-471	**Fuji TX-531**
Unit purchase on 1 March 2022	20 units	10 units
Invoice price per unit	RM25,000 each	RM20,000 each
Import duty and transportation charges	RM6,000 (Total)	RM4,000 (Total)
Unit unsold on 31 December 2022	5 units	3 units
Estimated selling price per unit	RM52,000 each	RM38,000 each

On 31 December 2022, due to technological obsolescence, the company has to offer a discount of 50% on the selling price of those units.

Required:

Calculate the value of inventories and prepare a journal entry for the written down amount to net realisable value (NRV) as of 31 December 2022 in accordance with MFRS 102 *Inventories.*

(9 Marks)

Part B

On 1 January 2018, Cinta Berhad purchased a 20-storey building for RM40 million. After the acquisition, the building was renovated at a cost of RM5 million. The renovation was completed on 31 July 2018 and 18 floors were rented out to retailers, while 2 floors were used as a warehouse for its inventory. The estimated useful life of the building is 30 years.

On 1 January 2020, the building was revalued at RM46 million. On 1 January 2021, the tenancy of the building with retailers was terminated and the company has leased out all 15 floors to its subsidiaries and the remaining floors are used as the headquarters. The fair value of the building on 1 January 2021 was RM43 million.

Required:

a) Illustrate the accounting treatment of the building from 2018 until 2021 in accordance with MFRS 140 *Investment Property*. (3 Marks)

b) Prepare the journal entries from 2018 until 2021. (5 Marks)

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Part C

Legend Bhd. develops and produces printers for office use in Perak. On 1 July 2020, it incurred RM500,000 for expenses on legal fees to obtain the patent on a new printer. The patent's useful life is 10 years. On 1 January 2021, Legend Bhd. also paid another RM1,200,000 for new equipment. The expected useful life is for 20 years.

The financial year end is 31 December. Amortisation and depreciation are based on a straight-line basis.

Required:

a) Illustrate the accounting treatment for the above situation in accordance with MFRS138 *Intangible Asset.*

(3 Marks)

b) Prepare the journal entries for 2020 and 2021.

(5 Marks)

[TOTAL: 25 MARKS]

QUESTION 2

Given below are the financial statements of Vince Berhad for the year ended 2022.

Vince Berhad
Statement of Profit or Loss
For the year ended 31 December 2022

	RM	RM
Revenue		1,262,500
Cost of sales		775,000
Gross profit		487,500
Gain on sale of motor vehicle		2,600
		490,100
Expenses:		
Operating expenses, excluding depreciation	311,100	
Depreciation	58,050	
Interest expenses	13,750	
Loss on sale of machinery	4,000	386,900
Profit before tax		103,200
Taxation		27,500
Profit after tax		75,700

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Vince Berhad
Statement of Financial Position
As at 31 December 2022

	2022 RM	2021 RM
Non-current assets		
Property, Plant and Equipment	639,150	478,100
Current assets		
Inventories	134,900	136,000
Account receivable	157,350	144,850
Short-term investment	2,250	1,150
Cash	200,950	144,250
	1,134,600	**904,350**
Equity and reserve		
Ordinary shares	516,000	400,000
Asset revaluation reserve	54,500	-
Retained earnings	160,990	104,490
Non-current liabilities		
Bank loan	100,000	125,000
5% Debentures	60,000	-
Current liabilities		
Account payable	225,710	265,750
Tax payable	5,250	-
Interest payable	4,000	2,000
Accrued expenses payable	8,150	7,110
	1,134,600	**904,350**

Additional information:

1. The non-current asset schedule revealed the following details:

	2022 RM	2021 RM
Land	179,500	125,000
Motor vehicles (cost)	325,000	268,000
Less: Accumulated depreciation	(83,750)	(57,600)
Machinery (cost)	332,700	249,150
Less: Accumulated depreciation	(114,300)	(106,450)
	639,150	**478,100**

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2. Short-term investment as a cash equivalent.

3. Land was revalued. There was no new acquisition of land during the year.

4. Depreciation charged for the year for motor vehicles and machinery were RM39,300 and RM18,750 respectively.

5. A motor vehicle costing RM35,900 was sold during the year for RM25,350.

6. An existing machinery costing RM59,100 was sold during the year for cash.

7. Dividend paid for the year ended 31 December 2022 was RM19,200.

Required:
Prepare the Statement of Cash Flows for the year ended 31 December 2022 using indirect method in accordance with MFRS 107 *Statement of Cash Flows*.

[TOTAL: 25 MARKS]

QUESTION 3

Part A

Laju Bhd. is a manufacturing company. On 1 January 2023, Laju Bhd. borrowed RM600,000 at a rate of 5% pa, the market rate of interest at that date, to part finance the construction of a new head office building. Due to bad weather causing delays in the first quarter of the year, work on the building only started on 1 April 2023. The building is expected to take 12 months to complete.

An interest of RM7,600 was earned on surplus funds invested and debited to the bank and credited to finance income in the statement of profit or loss, of which RM3,000 was earned up to 31 March 2023.

Required:

a) Explain the financial reporting treatment required by MFRS 123 of the borrowing costs and discuss how should the commencement of capitalisation of borrowing costs to be determined for Laju Bhd.'s financial statements for the year ended 30 September 2023. (3 marks)

b) Determine the borrowing costs that shall be expensed and capitalised in the costs of the new office building for the year ending 30 September 2023. (3 marks)

c) Prepare the journal entry to account for the borrowing costs capitalised of the new office building for the year ended 30 September 2023. (2 marks)

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Part B

During the year ended 31 December 2022 the directors of NXK Bhd. decided to change the company's accounting policy:

a) In the year ended 31 December 2021, and all years prior to that, NXK Bhd.'s stated accounting policy was to write off the costs of consumable stores, such as dyes and threads used in the manufacturing process, as incurred. The directors now wish to recognize consumable stores as inventory, on the grounds that this better matches purchases made to sales generated.

b) NXK Bhd. depreciate all general machines on a straight-line basis over four years. However, during the current year, the board of directors decided that, with effect from 1 January 2022, all general machines should be depreciated using a reducing balance basis at a rate of 25%, as this better reflects their economic usage.

Required:

Apply MFRS 108 *Accounting Policies, Changes in Accounting Estimates, and Errors* to explain the appropriate accounting treatment for the above events.

(5 marks)

Part C

In January 2021, as part of Top Bhd.'s business expansion, it acquired a number of gaming and entertainment venues, where customers can play video games and take part in virtual reality experiences.

There are two different payment options available to customers visiting each venue:

- Pay-on-entry: customers pay a fixed price per hour at any venue when they arrive.
- Annual membership: an annual subscription of RM360 is paid in advance. Members can use any of the venues for an unlimited amount of time throughout the year of membership.

By 30 September 2022, 800 members had signed up and paid for annual membership. All of these receipts (including pay-on-entry and annual membership) were recognised as revenue. The average unexpired period of membership on 30 September 2022 was seven months. Members used the gaming facilities evenly throughout the year.

Required:

Apply MFRS 15 *Revenue from Contracts with Customers* to discuss how Top Bhd. should account for the contract with the customer. (12 marks)

[TOTAL:25 MARKS]

QUESTION 4

Part A

On 1 January 2023, Brownie Bhd. acquired a ground storage tank for storing compressed air generated from the excess power from wind turbines for RM840,000 in cash (including land with a carrying amount of RM240,000). The ground storage tank has an estimated useful life of 25 years and is being depreciated on a straight-line basis.

Brownie Bhd. subsequently applied for a government grant of RM200,000 towards the cost of the ground storage tank and this cash was received on 1 April 2023. There are no conditions attached to the grant. On further investigation, it appears that Brownie Bhd.'s accounting policy, in relation to government grants, is to use the netting-off method. The financial year end is 30 September 2023.

Required:

Discuss how Brownie Bhd. should recognise and measure the government grant by reference to the relevant accounting standards. (7 marks)

Part B

Daily Farm Bhd. has just started its agricultural operations on 1 January 2022. Daily Farm Bhd. had provided the following information regarding its livestock management.

Date	Details	RM
1 January 2022	200 cattles 1 years old	
	Fair value less costs to sell per cattle	
1 January 2022	1 years old	2,000
31 December 2022	2 years old	3,000
	1 years old	2,200

Required:

Determine the carrying amount of cattle and revenue that shall be recognised by Daily Farm Bhd. for the year ended 31 December 2022.

(10 marks)

Continued...

Part C

According to MFRS 204 *Accounting for Aquaculture*, revenue is recognised at the point of sale of the product. The standard states that there are two bases for determining income in aquaculture operations.

Required:

Explain two bases for determining income in aquaculture operation in accordance with MFRS 204 *Accounting for Aquaculture*. (4 marks)

Part D

According to MFRS 6 *Exploration for and Evaluation of Mineral Resources,* exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Required:

Explain the circumstances when an entity should test exploration and evaluation assets for impairment. (4 marks)

[TOTAL: 25 MARKS]

End of Paper.